

Economics 402

Optional Assignment #1

Due on Tuesday 2/12

The optional assignments provide an opportunity for you to learn about more advanced topics and issues in macroeconomics. They are intended to be very difficult and will be graded to a very high standard. Because these are “bonus” points, I will have no problem giving zero points to an inadequate attempt.

1. “The Problem of Causality” (10 bonus points)

Write a 4-5 page essay that discusses what it means to say “money causes inflation” and how we might infer that this is the case. Use Hoover, Ch. 1 (pp. 193-207 at the end of the reading package, which is available for \$8 from the main office of the Economics Department in Eliot 205) and the Mankiw textbook as source material for your essay. You can also use other published sources. Provide proper citation and references for your sources. The reference for Hoover is “Hoover, Kevin D., 2001, Causality in Macroeconomics, Cambridge University Press”.

2. Milton Friedman (5 bonus points)

Read the profile of Milton Friedman on pp. 133-152 of the reading package (reference is “Breit, W. and R.L. Ransom, 1998, The Academic Scribblers, Third Edition, Princeton University Press.”) and relate his various intellectual contributions to topics that we have already discussed in the course, including topics discussed in the Mankiw textbook.